

INDEX

A

accountants, 2

accounting

 accounting equation, 21–22, 23–26

 entering transactions using, 27

 categories of accounts, 20–21

 defined, 18

 opening balance sheet, 23, 26

 software, 23, 272

 standards for private enterprise, 19–20

accounting cycle

 defined, 38, 66

 steps in

 adjusting journal entries, 40, 156

 closing the books, 41, 182

 financial statements, 40, 182

 journal entries, 40

 posting, 40, 66

 transaction, 39

 trial balance, 40, 156, 169

 worksheet, 40, 170–172

accounting equation

 defined, 21

 expanded, 23–26

 owner's equity, calculation of, 22

 using T-accounts, 27

accounting fees, 257

accounting period, 38, 74

accounting software

 client cost recovery, 276

 client file management, 273

 electronic records, maintenance of, 277

 end-of-period functions, 277

 file archiving, 273–274

 general receipts and disbursements, 275–276

 time entries and billing, 274–275

 trust receipts and disbursements, 276

 type of law, 273

accounting standards for private enterprises (ASPE), 19

accounts receivable journal, 125

accrual basis of accounting, 19, 157

accrued interest expense, 162

accrued interest revenue, 163

accrued revenues, 158

accrued salaries expense, 168

accumulated depreciation, 159

adjusted trial balance, 40, 156–158, 166, 169

adjusting entry

 accrued salaries expense, 168

 adjusted trial balance, and, 166, 169

 balance sheet, and, 169

 checking for errors, 168

 depreciation, 167

 for year-end, 163–164

 office supplies, 165–166

 personal loan, 167–168

 prepaid expenses, 164

 steps in, 156–157

 types of, 158–163

 worksheet, 157–158, 170–172

 year-end, 188–189

advertising expenses, 257

amortization, 159–161

assets

 defined, 21

 shifts in, 45–46

audits, 110

B

- bad debt, 257
- balance sheet
 - column of worksheet, 158, 169, 170
 - defined, 77, 182
 - format, 96, 108
 - interpretation, 188
 - preparation, 186–188
- balance sheet accounts, 189
- bank accounts, *see also* general bank account; trust bank account
 - general bank account, 7
 - mixed/pooled trust account, 8–9, 10
 - separate interest-bearing trust account, 9
- bank charges, 230, 258
- barter transaction, 75
- billable rate, 274
- billable work, 121
- book value, 159
- bookkeeper, 2
- bookkeeping, 3
 - see also* accounting
- books and records
 - CRA requirements, 140, 198, 235, 256
 - LSUC requirements, 2–3, 107, 109, 110, 127, 230–231, 234–235, 273
 - maintenance, importance of, 6
 - dormant accounts, 235
 - electronic records, 277
 - general bank records, 234
 - GST/HST, 249
 - trust bank records, 235
- business expenses, 251
 - see also* expenses
- business number (BN), 10
- business organizations
 - limited liability partnership, 4
 - multi-discipline practice, 4
 - partnership, 3, 5
 - professional corporation, 4
 - sole proprietorship, 3, 5
 - taxation, and, 4–5

- business tax, 257
- business transaction
 - analysis, 44–46, 132–134
 - examples, 46–52
 - general journal, posting, 53, 54, 131, 134–140
 - proof of, 43–44
 - specialized journals, and, 126–130

C

- capital account, 23
- capital cost allowance (CCA), 159
- capital gains, 262
- cash basis of accounting, 19
- cash controls, 220
- cash receipts, 99
- cash short and over, 223
- chart of accounts, 20, 66
- cheque endorsement, 223–224
- cheques, 224
- client cost recovery journal, 276
- client general ledgers, 101
- client matter, 273
- client number, 273
- closing balance, 23
- closing entries
 - drawings account, 192
 - expense accounts, 190
 - income accounts, 190, 191
 - income summary account, 191
 - preparation, 188, 189–190
- closing the books, 41
- compound entry, 41, 45
- computer and other equipment expenses, 260
- conflict of interest, 273
- conflict search, 273
- contra-asset account, 159
- convention expenses, 260–261
- credit (Cr.), 21, 41, 44, 169
- current assets, 21

D

DEAD CLIC, 44, 169
 debit (Dr.), 21, 41, 44, 169
 declining balance amortization method, 161
 deposit in transit, 225
 depreciation, 159, 160–162, 167, 259
 dormant accounts, 235
 double-entry bookkeeping, 21
 drawee, 224
 drawer, 224
 drawings account, 192

E

endorsement, 223
 expanded accounting equation, 23–26
 expense accounts, 190
 expense recovery, 121
 expenses
 accounting and legal fees, 257
 advertising expenses, 257
 bad debt, 257
 business tax, fees, licences, and dues, 257
 business-use-of-home expenses, 259–260
 classifying, 24–26
 computer and other equipment expenses, 260
 convention expenses, 260
 defined, 21
 insurance expenses, 257
 interest and bank charges, 258
 maintenance and repairs, 258
 meals and entertainment, 258
 motor vehicle expenses, 258–259
 office expenses, 261
 personal or living expenses, 257
 prepaid expenses, 257
 salaries, 261–262
 telephone and utilities, 262
 external users, 18

F

fees book
 defined, 123
 posting from, 124
 sample, 123
 fees journal, 120
 financial statements
 balance sheet, *see* balance sheet
 defined, 40, 73, 182
 evaluation, 78
 format, 95–96
 income statement, *see* income statement
 preparation, 73–74
 statement of owner's equity statement,
 see owner's equity, statement of
 financial transaction, *see* business transaction
 fiscal period, 38, 259
 fiscal year, 38
 fixed or capital assets, 21
 flat rate, 274

G

general bank account
 accounting software, and, 275
 defined, 7, 66, 98
 differentiated from trust account, 98–99
 reconciliation, 224–230
 records, maintenance and retention, 234
 general disbursements journal, 129–130
 general journal
 defined, 21, 66
 postings from special journals, 134–140
 general ledger
 accounts, year-end, 193–197
 defined, 40, 66
 petty cash entry, 220
 general monetary retainer, 7
 general receipts journal, 127–129
 generally accepted accounting principles (GAAP), 19
 government users, 18
 gross pay, 252
 GST/HST, 10, 111, 248–252

H

historical cost, 159
home office expenses, 259–260

I

income, 21, 249
income account, 190
income statement
 column of worksheet, 158, 169, 170
 defined, 74, 182
 format, 95
 interpreting information from, 184
 preparation, 183–184
income summary account, 190, 191
income tax
 capital gains, 262
 deductions and remittances, 262
 operating expenses, 257–262
 record-keeping requirement, 256
 six-year requirement, 198, 256
information return, 256
input tax credit (ITC), 249
insurance expenses, 257
insurance requirements, 5–6
interest charges, 258
internal controls, 21
internal users, 18
International Financial Reporting Standards (IFRS), 19
invoicing
 expense recovery, 121
 fees book, 123–124
 payment, recording, 124–125
 preparation, 121
 required information, 120
 sample invoice, 122
 time, recording and billing, 121

J

journal entries, 40

L

Law Foundation of Ontario
 defined, 3
 financial institutions, agreements with, 10, 11
 remittance of interest, 10–11
Law Society of Upper Canada
 approved financial institutions, 10
 bank accounts, 7–9
 bylaw 9, reproduced, 287
 interest on trust accounts, 10–11
 modes of practice, 3–5
 requirements
 fees and disbursements, 121
 insurance, 5–6
 record-keeping, 2–3, 107, 109, 110, 127, 230–231, 234–235, 273
 trust accounts, 8, 99
 retainers, 6–7
 spot audits, 110
 type of law practised report, 273
legal accounting software, 23, 272
legal fees, 257
liabilities, 21
licensees, 2
limited liability partnership, 4
loss, 24

M

maintenance and repairs expenses, 258
matching principle, 157
matter-to-matter trust transfer journal, 108–109
meals and entertainment expenses, 258
membership dues, 257
mixed or pooled trust bank account, 8, 230–234
 see also trust bank account
monetary retainer, 7
motor vehicle expenses, 258
multi-discipline practice (MDP) or affiliation, 4

N

net income, 24, 170
net loss, 24, 170
non-billable work, 121
normal balance, 20
normal credit balance, 41
normal debit balance, 41
NSF cheque, 225

O

- office expenses, 261
- office supplies inventory, 157
- opening balance, 23, 26, 66
- operating expenses, *see* expenses
- outstanding cheque, 225
- owner's equity
 - calculation of, 22
 - defined, 21
 - statement of
 - defined, 76–77
 - format, 95
 - interpretation, 186
 - preparation, 185–186

P

- partnership, 3
- payee, 224
- payor, 224
- payroll
 - gross pay, 252–253
 - overview, 252
 - Payroll Deductions Online Calculator, 253–255
 - T4 information return, 256
 - taxable benefits, 256
 - TD1 form, 253
 - vacation pay/time, 255
- payroll deductions, 253
- permanent accounts, 189
- personal deductions, 253
- personal expenses, 257
- petty cash, 220–223
- petty cash voucher, 221
- post-closing trial balance, 39, 193
- post reference (PR), 54, 66
- posting, 40, 67–71
- prepaid expenses, 159, 257
- professional corporation, 4
- profit, 24
 - see also* net income

R

- receipts, 44
- reconciliation, 224
- records, maintenance of, 249
 - see also* books and records
- residual value, 159
- retainer
 - conflict of interest and, 273
 - defined, 6
 - general monetary retainer, 7
 - monetary retainer, 7
- revenue, *see* income
- revenue recognition principle, 162

S

- separate interest-bearing trust account, 9
- service charges, 225
- shareholder's equity, 21
- signature card, 223
- six-year requirement, 198, 256
- slide, 73
- small supplier, 10, 248
- sole proprietorship, 3
- special journals
 - accounts receivable journal, 125
 - client billing, and, 120–121
 - defined, 108, 120
 - expense recovery, 121–122
 - fees book, 123–124
 - general disbursements journal, 129–130
 - general receipts journal, 127–129
 - invoice payment, 124–125
 - invoice preparation, 121
 - posting from, 131, 134–140
 - transactions
 - analysis, 132–134
 - recording, 126–131
 - utility, 125
- spot audits, 110
- stakeholders, 18
- statement of owner's equity, *see*
 - owner's equity, statement of
- straight-line amortization method, 160

T

- T-accounts, 27
- tax year, 256
- taxable benefits, 256
- telephone and utilities expenses, 262
- temporary accounts, 189
- time entry and billing, 272
- transaction, *see* business transaction
- transposition, 73
- trial balance
 - adjustments, 169
 - common mistakes, 73
 - defined, 40, 71, 74, 107
 - finding errors, 72–73
 - including trust bank account, 107
 - preparing, 71–72
 - see also* adjusted trial balance;
 - post-closing trial balance
- trust bank account
 - accounting software, and, 276
 - approved financial institutions, 10
 - cash receipts, 99–101
 - defined, 98
 - deposits and withdrawals, 99
 - differentiated from general bank account, 98–99
 - interest, 10–11
 - journal, *see* trust bank journal
 - mixed/pooled, 8
 - overdraft, 8–9
 - reconciliation, 98, 230
 - records, maintenance and retention, 235
 - separate interest-bearing, 9
- trust bank journal
 - book of original entry, 101
 - defined, 101
 - posting to the general ledger, 104–107
 - recording debits and credits, 102–104
 - steps in using, 101
- trust bank reconciliation, 98, 230
- trust comparison, 230
- trust control accounts, 101
- trust transfer journal, 108–109

U

- undepreciated capital cost (UCC), 161

V

- valuable property record, 109–110

W

- withdrawals, 23
- work in progress (WIP)
 - defined, 20, 162
 - valuation, 163
- worksheet
 - balance sheet entries, 169, 170
 - completion, 170–172
 - income statement entries, 169
 - net profit/loss, calculation of, 170
 - preparation, 157–158
 - trial balance entries, 164, 169

Y

- year-end adjustments, 188–189, 277

